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*Professor of Health Care Policy and
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July 7, 2009

Secretary Leslie Kirwan
Executive Office for Administration
and Finance
State House, Room 373
Boston, MA 02133

Commissioner Sarah Iselin
Division of Health Care Finance
and Policy
2 Boylston Street, 5th Floor
Boston, MA 02116

Dear Secretary Kirwan and Commissioner Iselin:

I am writing this letter to share with you our views on the proposed recommendations of the Special Commission on the Health Care Payment System to move to global payments as the predominant method of payments within the next five years. We believe that the most effective approach to reforming the health care payment system is to pursue parallel paths of building experience and gathering information. This dual approach will enable us to move ahead in the most informed manner and facilitate the best decision-making about the most appropriate ways to pay for health care.

Let me preface my comments by saying that Partners is, of all the providers in this state, probably one of the most prepared at the current time to successfully implement global payments. Indeed, we could ultimately adapt to this payment system given that we have, over the past fifteen years, focused on building an integrated health care system to provide high-quality, high-value care, assembling the pieces along the full continuum of care that would make it possible for us to ultimately succeed under global payments.

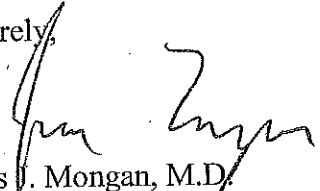
The first path to payment reform I recommend is a path of action – proceeding with the implementation of various payment models along the way to global payments so that we can learn and build critical experience, and secure the commitments of employers, payers, and government to build and support the systems that are necessary for the success of the global payment model.

The second, parallel path to payment reform is the due diligence that needs to be conducted before undertaking such a major overhaul of one-sixth of the state's economy. This would involve answering a series of questions that fall into three main categories: the readiness of the health care system to adapt to global payments; the impact of global payments on consumer choice; and the mechanism and methods for setting global payment rates. Please see the enclosed document for a more detailed list of questions.

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In sum, we should pursue two paths as we move towards fundamental payment reform – beginning measured implementation of various payment models which are important steps toward ultimate reform, and answering critical questions regarding broader reform.

Sincerely,


James J. Mongan, M.D.

cc: Lynn Nicholas, FACHE
Secretary Judyann Bigby, M.D.

Encl.

Parallel Paths to Payment Reform

Path 1

Conduct due diligence by answering three sets of questions about global payments and gathering essential data to ensure pursuit of appropriate changes and to avoid unintended consequences.

- *Ability of the health care community to deal with global payments*
 - How much of the provider community is ready to do this?
 - How can those who are not ready be brought along?
 - How will the shifting of risk from payers to providers be addressed? If risk is transferred, how to ensure that insurance products are consistent with provider risk? How can we ensure the transfer of risk is based on the provider's scope of control?
- *Impact of global payments on consumer choice*
 - Are consumers ready to accept limitations?
 - How will they be engaged in this transformation?
 - Will insurance products support this?
 - Will the business community support this?
- *Mechanisms to fairly set payments, given the current limitations of risk adjustment methodologies*
 - Who will set the rates and how?
 - Current risk adjustment models only capture about two-thirds of cost variation due to patient acuity. How will the payment methodology account for this?
 - How do these models today correlate with performance on total medical expenditures?

Path 2

Proceed now with measurable implementation of certain steps along the path to payment reform.

- Pay for Performance reimbursement as a baseline in all health care settings statewide
- Medical Home in some settings
- Episode-based Payments in some settings
- Global payments in some settings
- Secure commitment from payers to support infrastructure to build ACOs
- Secure employer commitment to insurance products that encourage selection of PCPs
- Ensure government is a good partner – fulfill Medicaid commitment of Ch. 58 of the Acts of 2006 as first steps to address public-private cost shift.

Moving in a deliberate yet organized fashion will provide valuable, necessary data and experience that will enable more informed decision-making about the best payment methods for supporting high-value health care delivery.

* May include global, bundled, and/or episode-based payments.